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C O R R E C T E D C O P Y - CHANGED PRECEDENCE

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DEPARTMENT FOR EUR/AGS

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SUBJECT: Austria's October 1 Election Surprise: People's Party
(OVP) Falls Badly, Schuessel Likely to Lose Chancellorship

REFS: (a) Vienna 2787, (b) Vienna 2924

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11. Summary: Chancellor Wolfgang Schuessel's Austrian People's Party (OVP) suffered a stinging defeat at the polls on October 1. Contrary to every pollster's and analyst's expectations (and ours as well), Schuessel's party plummeted 8 points to second place. The opposition Social Democratic Party (SPO) also actually did worse than in the last elections, ending up on the low end of pundits' predictions. But what matters is that the SPO is the strongest party, and will have the first shot at forming the next government and thereby claiming the Chancellorship. The most likely result is a return to a grand coalition (SPO-OVP). At the moment, the only other mathematical possibility -- one Schuessel has publicly ruled out -- is an OVP coalition with its current partner, the Alliance-Future-Austria (BZO), and the far right Freedom Party (FPO). Absentee ballots could conceivably open the door to a Red-Green coalition, but the count will not be available for at least a week. End Summary.

By the Numbers

Party -- Percentage of Votes	2006	2002
People's Party (OVP)	34.2	42.30
Social Democratic Party (SPO)	35.7	36.51
Freedom Party (FPO)	11.2	10.01
Greens	10.5	9.47
Alliance-Future-Austria (BZO)	4.2	n/a
Hans-Peter Martin	2.8	n/a
Communist Party (KPO)	1.0	0.56
Other	0.3	

Turnout: 74.2 percent of registered voters (2002: 85 percent).

Party -- Parliamentary Seats	2006	2002
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(Necessary for majority: 92)		
People's Party (OVP)	66	79
Social Democratic Party (SPO)	68	69
Freedom Party (FPO)	21	(see below)
Greens	20	17
Alliance-Future-Austria (BZO)	8	(see below)
Hans-Peter Martin	0	n/a
Communist Party (KPO)	0	0
Other	0	0

(Note: In 2002, the FPO won 18 seats in parliament. When the BZO

split off of the party, 16 members of the FPO caucus joined the new party, while two remained with Heinz-Christian Strache's FPO. End note.)

The Only Poll That Counts...

¶2. Austria's voters dealt a severe and unexpected blow to Chancellor Wolfgang Schuessel in national elections on October 1. After having held a clear and commanding lead in opinion polls throughout the campaign, Schuessel's conservative Austrian People's Party (OVP) fell far below the level even his opponents had hoped to see. From predictions (ref b, for example) of a 38-40 percent showing, support for the OVP dropped to just 34.2 percent in the only poll that counts the election.

¶3. The tallies for the other parties were more or less what prognosticators had expected, except for the BZO, which appears to have cleared the 4 percent threshold to enter parliament. The Social Democratic Party (SPO) even lost support from its 2002 showing, coming in at 35.7 percent -- rather at the low end of pre-election forecasts. But it was enough to give the SPO and its chief, Alfred Gusenbauer, the unalloyed thrill of a first place finish.

¶4. The FPO and Greens both came in at the high end of what most had predicted. As it had in 2002, the FPO emerged as the third-largest party, winning 11.0 percent of the vote. The Greens, with 10.5 percent, achieved their best result ever in an Austrian national election.

¶5. Apart from the OVP's tumble, the biggest and most significant surprise came from the "Alliance-Future-Austria" (BZO). Joerg Haider's "chip off the FPO" appears to have barely crossed the four percent threshold necessary to enter parliament. The protest party of SPO renegade Hans-Peter Martin faded, taking only 2.8 percent and falling short of a parliamentary mandate.

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¶6. Given these results, every party except the OVP (and Hans-Peter Martin) was more or less jubilant on the night of the elections. There were some pointed barbs thrown at prognosticators. As BZO floor leader Herbert Scheibner put it, "you might as well have hired a fortune teller with a crystal ball."

Now What? Chancellor Gusenbauer?

¶7. As all political analysts (including us) wipe the egg off their faces, we are able to see fairly clearly what the vote totals mean for the distribution of seats in parliament. While the SPO's strength dropped by a seat to 68, the OVP dropped 13 seats. If these circumstances hold through the final tally, with the magic number for a majority at 92, the only possibility of a two-party coalition would be a Grand Coalition. (Note: As we discuss below, a three-party right wing coalition remains mathematically possible. End note.)

¶8. The time frame for coalition formation is a long one. The next meeting of parliament, and therefore the first chance to form a new government, is October 30. However, in election night musings, Gusenbauer said he thought the process would take about six weeks. Schuessel thought it would take longer.

¶9. Austrian Federal President Heinz Fischer presumably will offer the chance to form a coalition to the leader of the party with the most votes -- that is, Alfred Gusenbauer. Gusenbauer said on election night that he would start by seeking to form a SPO-OVP Grand Coalition, with himself as Chancellor. Most observers think the OVP would want the Foreign Ministry. That is all that is currently clear (or at least, less murky). The SPO has already laid down a marker: party manager Norbert Darabos said on election night, referring to the OVP, "when you lose seven or eight percent,

you have to be reasonable."

¶10. It is not at all clear what happens to Chancellor Schuessel. Having fallen to a figure -- 34 percent -- that would probably have gotten Gusenbauer fired, and having started with much higher expectations than Gusenbauer did, Schuessel is already facing questions as to whether he will retain his position as OVP party leader. In the immediate aftermath of the election, leading OVP figures such as governors Erwin Proell (Lower Austria) and Herwig van Staa (Tirol) could only say that they "hoped (Schuessel) would be able" to remain party leader. For his part, Schuessel would not commit himself on election night, saying only that he would "sleep on it." To have to return to his pre-2000 job as Foreign Minister under an SPO Chancellor would indeed be a bitter pill for Schuessel to swallow. OVP parliamentary caucus leader Wilhelm Molterer has long been the subject of speculation as a party leader who could pick up the pieces if Schuessel had to leave the scene, and the job could now fall to him.

¶11. Conceivably, Schuessel may not even get the choice. The counting of an estimated 242,000 absentee ballots will take place over the coming week. This number is large enough that it could possibly pull the BZO below the four percent mark, thereby throwing their eight seats back for redistribution among the other parties. In that case, it might be numerically possible for the SPO to form a coalition with the Greens -- clearly the preference of both those parties. However, Gusenbauer has expressed doubt at the wisdom of working with such a razor-thin majority.

¶12. There is, of course, another possibility, although an improbable one: A right-wing OVP-FPO-BZO coalition led by Schuessel. Schuessel, however, declared on election eve that he would not form a coalition with the anti-EU, xenophobic FPO. What is more, the FPO and the BZO have all the baggage of a bad divorce. Nevertheless, this coalition would be mathematically possible if the OVP were able to deny a parliamentary majority to any government the SPO could form. The OVP would also have to convince the two smaller parties to get back into bed together. It is hard to see anyone in the OVP but Schuessel as having the political skills to bring this about, and Schuessel is now dealing from a position of weakness.

So What Happened?

¶13. The shocker in the election news was the OVP's slide. The other parties, including the SPO, did more or less as forecast. There was no radical turn to the protest parties. Instead, the drop in OVP support showed up as marginal gains for the smaller parties.

¶14. No one in Austria is yet in a position to analyze seriously the OVP's failure to maintain its pre-election position. Speculation abounds, of course, tending to support the position of the person making the analysis. The SPO described the results as a confirmation of the SPO call for economic and social "fairness."

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They also see in the results a public acceptance of Gusenbauer. However, one must remember that support for the SPO also declined from the last election. In fact, the SPO experienced one of its worst showings since the Second World War.

¶15. On election night, Schuessel cited low voter turnout as a key factor. In 2006, the voter participation figure was ten points lower than it was in 2002, and, at 74.2 percent of registered voters, was the lowest since the formation of the Second Republic in 1955. Election-day polls indicated that this may have hurt the OVP disproportionately. A large part of the number of those who stayed at home consisted of OVP sympathizers. OVP leaders also blamed negative SPO campaigning against Schuessel personally. These may have been factors, but it was the OVP itself that banked on Schuessel's personal popularity. The OVP campaign was virtually devoid of issues, assuming that voters agreed that the country's economic situation was solid and that the BAWAG scandal would prevent a return of SPO support on the margins. The SPO's last minute attempt to associate Schuessel with BAWAG's former executives

may have mobilized the SPÖ's core constituency.

¶16. What we may have seen is the basic personal conservatism of Austrian voters. Essentially, the parties placed where one would have expected them to end up if one had focused solely on party membership and on historic (decades-long) performance. What this election may therefore demonstrate is that Austria is not ready for election campaigns that sell personalities and not parties.

McCaw